Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Covia Communities
(an Affiliate of Covia Group)

March 31, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

To the Audit Committee
Covia Communities
(an Affiliate of Covia Group)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covia Communities (the "Communities"), an affiliate of Covia Group (the "Group"), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Communities as of March 31, 2021 and 2020, and the consolidated results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of activities and changes in net assets without donor restrictions information by location, and statements of cash flows (Covia Communities Obligated Group) as of and for the years ended March 31, 2021 and 2020, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
July 21, 2021

Consolidated Financial Statements

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 12,978,391	$ 6,234,936
Assets held by bond indenture trustee for current debt service	5,663,190	5,716,094
Marketable securities	163,635,902	126,042,503
Receivables, net	6,756,933	6,128,858
Current portion of receivables - affiliated organizations	194,987	369,635
Current portion of pledges receivable, net of discount	415,017	132,660
Prepaid expenses, deposits, and other assets	4,004,820	3,085,045
Total current assets	193,649,240	147,709,731
ASSETS WHOSE USE IS LIMITED		
Assets held by bond indenture trustee and restricted for construction and debt service	14,142,071	14,269,810
Less portion available to satisfy current debt service	(5,663,190)	(5,716,094)
Noncurrent portion	8,478,881	8,553,716
Investments held in trust	7,173,986	5,827,906
Restricted investments	3,433,462	3,606,881
Total long-term assets whose use is limited	19,086,329	17,988,503
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	751,885	750,092
RECEIVABLES - AFFILIATED ORGANIZATIONS, NET OF CURRENT PORTION	865,067	745,067
RIGHT OF USE ASSET, NET OF ACCUMULATED AMORTIZATION	5,081,592	5,515,898
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	294,641,011	295,144,805
DEFERRED CHARGES AND OTHER ASSETS	14,821,589	12,409,005
Total assets	$ 528,896,713	$ 480,263,101

See accompanying notes.

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,551,402	$ 5,383,921
Accrued payroll and payroll taxes	6,224,183	4,381,503
Current portion of long-term debt	14,342,000	3,078,000
Accrued interest	2,521,190	2,638,094
Current portion of lease liability	378,436	378,436
Self-insurance and other liabilities	3,681,522	3,927,564
Total current liabilities	34,698,733	19,787,518
REFUNDABLE DEPOSITS	1,105,200	1,114,000
REPAYABLE ENTRANCE FEES	1,820,700	2,362,440
REFUNDABLE ENTRANCE FEES	65,470,689	72,078,079
PENSION BENEFIT OBLIGATION	1,391,161	19,666,806
LONG-TERM DEBT, NET	136,685,157	151,250,327
DEFERRED REVENUE FROM ENTRANCE FEES	168,346,597	169,054,600
LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES	2,930,887	2,363,703
LONG-TERM LEASE LIABILITY, NET	5,164,925	5,543,361
OTHER LIABILITIES	5,936,781	5,946,902
Total liabilities	423,550,830	449,167,736
NET ASSETS		
Without donor restriction	94,977,891	22,249,627
With donor restriction	10,367,992	8,845,738
Total net assets	105,345,883	31,095,365
Total liabilities and net assets	$ 528,896,713	$ 480,263,101

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains		
Resident fees	$ 68,562,911	$ 69,170,513
Amortization of deferred revenue from entrance fees	24,178,856	23,007,021
Nursing center	30,983,058	37,770,630
Outside and other medical fees	426,049	546,289
Other	2,171,565	2,406,196
Contributions	61,163	88,322
Grant revenue - Provider Relief Fund	4,421,027	-
Net assets released from restriction for assistance and operations	2,424,582	2,332,711
Total revenues and gains	133,229,211	135,321,682
Expenses		
Nursing expenses	26,064,094	29,647,778
Outside and other medical expenses	5,453,781	4,982,579
Dining services	20,271,333	21,286,159
Housekeeping	7,391,011	7,278,673
Maintenance	8,702,862	8,679,217
General and administrative expenses	24,307,879	21,280,210
Marketing	2,024,801	2,554,126
Utilities	6,020,105	5,733,586
Other	5,402,770	6,293,864
Program expenses	2,406,104	3,035,266
Fundraising activities	23,963	10,811
Depreciation and amortization	24,617,900	23,383,072
Loss on disposal of property and equipment	1,148,967	359,764
Interest	7,800,364	8,111,747
Total expenses	141,635,934	142,636,852
LOSS BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS, INHERENT CONTRIBUTION AND INVESTMENT INCOME (LOSS)	(8,406,723)	(7,315,170)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS	(1,396,527)	817,246
INHERENT CONTRIBUTION	12,590,601	-
INVESTMENT INCOME (LOSS)		
Investment income	3,494,168	3,073,921
Net realized gains on investments	11,839,657	7,384,704
Net unrealized gains (losses) on investments	35,157,230	(17,313,297)
Total investment income (loss)	50,491,055	(6,854,672)

See accompanying notes.

	2021	2020
NET INCOME (LOSS)	53,278,406	(13,352,596)
CHANGE IN PENSION BENEFIT OBLIGATION	19,449,858	(13,523,003)
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	72,728,264	(26,875,599)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,778,813	2,897,869
Investment income	46,615	100,793
Net realized gains on investments	509,987	611
Net unrealized gains (losses) on investments	48,577	(136,837)
Changes in split interest gift agreements	750,393	(624,684)
Inherent contribution	812,451	-
Net assets released from restrictions for assistance and operations	(2,424,582)	(2,332,711)
Increase (decrease) in net assets with donor restrictions	1,522,254	(94,959)
CHANGE IN NET ASSETS	74,250,518	(26,970,558)
NET ASSETS, beginning of year	31,095,365	58,065,923
NET ASSETS, end of year	$ 105,345,883	$ 31,095,365

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 108,720,777	$ 116,063,266
Proceeds from entrance fees	22,347,357	32,558,935
Investment gains	15,890,427	10,560,029
Cash paid to employees and suppliers	(105,256,156)	(121,013,278)
Cash paid for leases	(378,436)	(345,128)
Interest paid	(8,140,438)	(8,620,237)
Net cash provided by operating activities	33,183,531	29,203,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(9,671,770)	(15,400,042)
Proceeds from property disposition	629,711	-
Changes in deferred charges and other assets	(1,656,724)	(1,755,739)
Marketable securities sold	12,996,550	9,343,888
Marketable securities acquired	(12,071,835)	(10,688,978)
Net cash used in investing activities	(9,774,068)	(18,500,871)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(3,078,000)	(3,021,000)
Refunds of deposits and entrance fees	(11,013,773)	(11,822,675)
Net cash used in financing activities	(14,091,773)	(14,843,675)
NET INCREASE (DECREASE) IN CASH	9,317,690	(4,140,959)
CASH, CASH EQUIVALENTS & RESTRICTED CASH, beginning of year	24,065,993	28,206,952
CASH, CASH EQUIVALENTS & RESTRICTED CASH, end of year	$ 33,383,683	$ 24,065,993
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash and cash equivalents	$ 12,978,391	$ 6,234,936
Cash, cash equivalents and restricted cash - marketable securities	4,449,951	2,560,181
Cash, cash equivalents and restricted cash - assets whose use is limited	15,955,341	15,270,876
	$ 33,383,683	$ 24,065,993

See accompanying notes.

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 74,250,518	$ (26,970,558)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(24,178,856)	(23,007,021)
Proceeds from entrance fees	22,347,357	32,558,935
Depreciation and amortization	24,617,900	23,383,072
Loss on disposal of property and equipment	1,148,967	359,764
Amortization of debt issuance costs and other	99,681	99,682
Amortization of bond issue premium	(322,851)	(322,846)
Change in net unrealized (gains) losses on investments	(35,205,807)	18,074,818
Change in pension benefit obligation	(19,449,858)	13,523,003
Inherent contribution, net of cash acquired	(10,589,297)	-
Effects of changes in		
Receivables, net	491,382	3,097,147
Other assets	(898,394)	(495,887)
Accounts payable	255,803	(6,884,269)
Other liabilities	67,251	(2,976,261)
Lease liability	(378,436)	(346,277)
Accrued retirement benefits	1,174,213	(1,051,168)
Self-insurance liabilities	(246,042)	161,453
Net cash provided by operating activities	$ 33,183,531	$ 29,203,587
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 1,294,954	$ 198,486

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Covia Communities (the “Communities”), a California nonprofit public benefit corporation, provides housing related communities and services for elderly persons on a nonprofit, religious, and charitable basis. The Communities operates six active life plan communities: Canterbury Woods in Pacific Grove, St. Paul’s Towers in Oakland, Spring Lake Village in Santa Rosa, San Francisco Towers in San Francisco, Webster House in Palo Alto, and Friends House in Santa Rosa, which was merged into the Communities on March 31, 2021 (see Note 2), under licenses from the California Department of Social Services. The Communities’ sole member is Covia Group (the “Group”), which is also a California nonprofit public benefit corporation providing housing and services to elderly persons, in addition to providing support to its subsidiary entities. Covia Group is not included in the consolidated financial statements of the Communities.

The Communities controls a supporting organization, Covia Foundation (the “Foundation”), a California nonprofit public benefit corporation. The primary purpose of the Foundation is to raise funds on behalf of the Communities and to administer those funds for the needs of the Communities. The Communities is the sole member of the Foundation, and the Foundation is included in the consolidated financial statements of the Communities.

Covia Group is affiliated with Covia Affordable Communities (the “Affordable Communities”), established in 2000, and is its sole member. The Affordable Communities is the sole member of Community Housing, Inc. (“CHI”), which owns and operates a 220 apartment affordable senior residential community (“Lytton I”) and a 100-unit apartment complex, consisting of 50 residential care apartments and 50 independent living apartments (“Lytton II”). The Affordable Communities is also the sole corporate member of Lytton IV Housing Corporation (“Lytton IV”), which owns and operates a 51 apartment affordable senior residential community. CHI and Lytton IV are California nonprofit public benefit corporations located in Palo Alto. The Affordable Communities is also the sole member of three other California nonprofit public benefit corporations that own and operate affordable senior housing communities, namely, Oak Center Towers (“OCT”), a 196 apartment complex for elderly or disabled persons in Oakland, California; Presidio Gate Apartments (“PGA”), a 54 apartment complex for elderly or disabled persons in San Francisco, California; and Jennings Senior Housing, Inc. (“JSH”), a 54 apartment complex for elderly or disabled persons in Santa Rosa, California, all of which are operated under Regulatory Agreements with the U.S. Department of Housing and Urban Development. OCT, in turn, is the general partner of Oak Centers, L.P. (“OCLP”), a California limited partnership organized as a low income housing tax credit vehicle that purchased the Project from OCT in order to refinance, rehabilitate, own, and operate OCLP. In April 2018, the Affordable Communities entered into an affiliation agreement with Bethany Center Senior Housing (“BCSH”), which operates a 135 apartment complex for low income seniors located in San Francisco, California, and became the sole member. In 2018, the Affordable Communities became the sole corporate member of Shires Memorial Center (“SMC”), a 99 apartment complex for low income and senior restricted community in San Jose, California. In 2021 and 2020, CHI, Lytton IV, PGA, JSH, SMC, BCSH, OCT, and OCLP were not included in the consolidated financial statements of the Communities.

Basis of presentation – The accompanying consolidated financial statements include the accounts of Covia Communities, and its supporting organization, Covia Foundation. All significant intercompany balances and transactions have been eliminated.

Performance indicator – “Net income (loss)” as reflected in the accompanying consolidated statements of activities and changes in net assets is the performance indicator. Net income (loss) includes all changes in net assets without donor restrictions other than certain pension provisions.

Cash, cash equivalents, and restricted cash – Cash and cash equivalents include cash held in demand deposit, sweep, savings accounts, and certain investments in highly liquid instruments with original maturities of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Concentration of risk – Financial instruments potentially subjecting the Communities to concentrations of credit risk consist primarily of bank demand deposits in excess of FDIC limits.

Marketable securities – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net income (loss) in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Receivables – In addition to receiving payment from residents and from nonresidents for services provided, the Communities also receives payment for health services from insurance companies, Medicare, Medi-Cal, and other third-party payers. The Communities regularly reviews its accounts and provides allowances for uncollectible accounts. Also included in receivables are amounts due to the Communities under short-term notes receivable issued as consideration by the residents for all or part of their entrance fees. These notes receivable are generally due in 90 to 120 days.

Assets whose use is limited – Assets whose use is limited include assets restricted by bond indenture for construction and debt service.

Investments held in trust and restricted investments – Investment held in trust and restricted investments consist primarily of marketable securities which are restricted by the donor as to use (Note 3) and are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the consolidated statements of activities and changes in net assets. Investment income is reported as an increase in net assets without donor restrictions, depending on donor-imposed restrictions on the use of the income.

Property and equipment – Property and equipment are stated at cost. Acquisitions of $7,500 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Communities periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was deemed necessary for the years ended March 31, 2021 and 2020.

Deferred charges and other assets – Deferred charges and other assets include predevelopment costs of $11,367,021 and $8,447,975 as of March 31, 2021 and 2020, respectively. Deferred charges and other assets also includes 457(f) investments of $1,665,076 and $1,376,128 as of March 31, 2021 and 2020, respectively.

Obligations under charitable annuity agreements – In exchange for an irrevocable deferred gift, the Foundation is required to pay a certain sum of money to the donor(s), and, consequently, a liability is reflected in obligations under annuity agreements. These liabilities are included in other liabilities in the accompanying consolidated statements of financial position. These types of arrangements are summarized as follows:

Charitable gift annuities – As consideration for certain gifts made to the Foundation, the Foundation enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 3.15% and 3.10% per annum for 2021 and 2020, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Communities with the approval of the California Department of Insurance.

Charitable remainder unitrusts – Unitrusts are trust agreements that provide for a fixed annual payment of not less than 5% of the market value as of the first business day of the calendar year of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor’s intent.

Charitable remainder annuity trusts – Annuity trusts are trust agreements that provide for a fixed annual specified payment based on the initial appraised value of the trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor’s intent.

Self-insurance liabilities – The Communities is self-insured for workers’ compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of $1,500,000 per incident at March 31, 2021 and 2020. The undiscounted liability includes estimates of the ultimate costs for both known claims and claims incurred but not reported based on actuarial studies. At March 31, 2021 and 2020, the Communities had $3,639,272 and $3,869,949 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2021 and 2020.

Professional liability insurance – The Communities has secured claims-made policies for malpractice and general liability insurance with self-insured retentions over the past three years of $35,000 for each claim, which was increased to $50,000 per claim on January 1, 2021. No accrual has been made for the estimated costs of known claims incurred prior to March 31, 2021 and 2020, which are within the retention amount. In addition, no accrual has been made at March 31, 2021 and 2020, for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred, and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on the Communities’ consolidated financial position or results of operations.

Leases – The Communities recognizes an operating lease liability and a right-of-use (“ROU”) asset for all leases, including operating leases with an expected term greater than twelve months on its consolidated statements of financial position. Operating lease ROU assets and liabilities are recognized on the consolidated statements of financial position at commencement date, which is the date that the Communities gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized on a straight-line basis over the lease term. Certain optional renewal periods were included in the determination of the lease liability and ROU asset if management determined it was reasonably certain that the lease would be extended. See Note 7.

Repayable and refundable entrance fees – The Communities offers a variety of contract options, from nonrepayable entrance fees to repayable entrance fees. Repayable and refundable entrance fees have been recorded as a liability in the consolidated statements of financial position. Entrance fees on repayable 75%, 80%, and 90% Classic Continuing Care and Lifetime Contracts are repayable upon contract termination, resale, and reoccupancy. The repayable portion of entrance fees as of March 31, 2021 and 2020, were $65,470,689 and $72,078,079, respectively. Actual refunds of such entrance fees were $8,594,335 and $6,432,903 for the years ended March 31, 2021 and 2020, respectively.

It is management’s expectation that future refunds will not have a significant effect on the consolidated financial statements.

As a part of the transaction with Sunrise Webster House, L.P. (“Sunrise”), in September 2011, Webster House assumed Sunrise’s liabilities for the repayments of entrance fees in the amount of $9,768,013. No amortization is recognized with respect to these continuing care contracts purchased in the acquisition. As of March 31, 2021 and 2020, this liability was $1,820,700 and $2,362,440, respectively, as included in the repayable entrance fees in the consolidated statements of financial position. Actual refunds were $541,740 and $2,440,500 for the years ended March 31, 2021 and 2020, respectively.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Communities has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2021 and 2020. The discount rate used to calculate the obligation to provide future services is 5.5% for both years.

Net assets – The Communities classifies net assets as follows:

Net assets without donor restriction represent unrestricted resources available to support the Communities’ operations and temporarily restricted resources which have become available for use by the Communities in accordance with the intention of the donor.

Net assets with donor restriction represent contributions that are limited in use by the Communities in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Communities according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance, outreach, and other projects as designated by the donors. There are no board designated net assets.

Net assets with donor restrictions also represent net assets subject to donor-imposed stipulations that they be maintained by the Communities in perpetuity. The Board of Directors of the Communities has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Communities classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by the Communities in a manner consistent with the standard for expenditure prescribed CPMIFA. The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure. The spending policy and return objective is supported by maintaining a strategic asset allocation of 50% equity securities and 50% fixed income securities and further enhanced by allowing up to half of the fixed income allocation to be invested in securities with greater risk and potential return such as high yield, global, and emerging market debt.

Revenue recognition – The Communities has elected the lessor practical expedient ASU 2018-11, *Leases, Targeted Improvements* ("ASU 2018-11") within ASC 842, *Leases*, and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. The Communities has assessed the predominant component of independent living, assisted living, and memory care monthly lease payment to be for the monthly rent of the apartment, as other services such as meals and housekeeping would be insignificant. The Communities will therefore recognize these revenue streams as lease income under ASC 842. The Communities further determined that the entrance fee relates to the stand ready obligation to provide health care services and does not relate to the independent living, assisted living, and memory care unit (or lease asset), therefore is not part of the calculation of lease payment. The Communities has assessed the predominant component of skilled nursing payments to be health care services and not apartment rent, and therefore have continued to recognize revenue under this service line as revenue under ASC 606.

The Communities revenue streams consist of:

Resident services revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Communities expect to be entitled to in exchange for the services provided. Under the Communities' resident services agreement, the Communities provide senior living services to residents for a stated monthly fee.

Nursing center revenue

Nursing center revenue on the consolidated statements of activities and changes in net assets includes revenue for assisted living and memory care of $6,835,356 and $6,902,320 for the years ended March 31, 2021 and 2020, respectively. The remaining nursing center revenue is reported at the amount that reflects the consideration to which the Communities expect to be entitled to in exchange for providing care. These amounts are due to patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews, and investigations. Generally, the Communities bill patients and third-party payors at the end of the month in which services are provided or in the month following. Revenue is recognized in the month in which the performance obligations are satisfied.

Revenue for nursing center performance obligations satisfied over time is recognized based on actual charges incurred. The Communities believe this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our skilled nursing facilities. The Communities measure the performance obligation from admission into the skilled nursing facility to the point when it is no longer required to provide health care services to that resident, which is typically at the time of discharge.

The Communities determine the transaction price based on standard charges for goods and services provided reduced by contractual adjustments provided to third-party payors. The Communities determine their estimate of contractual adjustments based on contractual agreements and historical experience.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

- Secondary Insurance: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Communities' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Communities.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Communities' historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2021 or 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Communities estimate the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to nursing center revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended March 31, 2021 and 2020, was not significant.

The following table shows nursing center revenue by line of service:

	Year ended March 31, 2021	Year ended March 31, 2020
Nursing center line of service		
Medicare and Medicaid programs	$ 13,556,359	$ 18,183,860
Other services, private pay, and other-third party payer	10,591,343	12,684,450
	$ 24,147,702	$ 30,868,310

Amortization of entrance fees

The Communities receive an upfront entrance fee when the basic residency agreement is signed. The basic residency agreement is inclusive of care and services which is dictated by specific contract types and can vary accordingly. All contracted residents are provided with services such as housekeeping, meals, 24-hour security, defined apartment maintenance, utility, and prearranged transportation. In exchange for this fixed entrance fee and the monthly resident service fees the resident has the right to occupy a unit and continue to live in the Communities. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at the Communities. The Communities recognize the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated annually and any changes in the revenue as a result of that revaluation will be recognized in the period noted. As of March 31, 2021 and 2020, the Communities had $168,346,597 and $169,054,600, respectively, in deferred revenue from entrance fees to be recognized as the performance obligations are satisfied. See Note 12 for changes in the unearned entrance fee revenue for the years ended March 31, 2021 and 2020. The performance obligation is satisfied upon termination of the residency agreement.

Management fee revenues

The Communities provide management services to third parties and affiliated organizations. Under these management services agreements, the Communities oversee and manage the general operations of the communities. Management fee revenue is recognized in the month in which it's earned in accordance with the terms of the individual agreements. Revenue recognized under these agreements was $900,200 for the years ended March 31, 2021 and 2020, included in other revenue in the consolidated statement of activities and changes in net assets.

Contribution income – Other than deferred gifts such as charitable gift annuities or charitable remainder annuity trusts, contributions are recognized as revenue when received or unconditionally promised.

Statutory reserve requirements – The Communities is subject to statutory reserve requirements. At March 31, 2021 and 2020, the Communities' reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements (Note 11).

Tax-exempt status – The Communities is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Communities adopted the provisions of the ASC Topic 740-10, *Income Taxes,* relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to the Communities. The Communities recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Communities recognizes interest and penalties related to income tax matters in operating expenses.

Use of estimate – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Major items requiring estimates and assumptions include deferred revenues and amortization of entrance fees, accrued self-insurance liabilities, useful lives of fixed assets, obligation to provide future services, obligation for payment to trust beneficiaries, valuation of financial instruments, valuation of assets acquired and liabilities assumed from the merger with FASE, and valuation of pension and retirement obligations.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values due to their short-term nature. The Communities' policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Liabilities for payment to trust beneficiaries and deferred revenue from investment contracts are classified as Level 2 in the fair value hierarchy. Please see Note 3 for fair value hierarchy disclosures marketable securities and assets whose use is limited, which includes assets held by bond indenture trustee and restricted for construction and debt service, investments held in trust, and restricted investments.

New accounting pronouncements – In August 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13") which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Management adopted ASU 2018-13 for the year ended March 31, 2021 and determined that the adoption did not have a material impact on the Communities' consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant including an explanation of the reasons for significant gains and losses related to changes in the benefit obligation. The new standard requires the amendments to be applied on a retrospective basis. The adoption of ASU 2018-14 is effective for the Communities beginning April 1, 2021. The adoption of ASU 2018-14 is not expected to have a material impact on the Communities' consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)* ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Management adopted ASU No. 2018-15 for the year ended March 31, 2021 and determined that the adoption did not have a material impact on the Communities' consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), to provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. This update is as of March 12, 2020 through December 31, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-04 on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 should be applied on a retrospective basis and is effective for the Communities for the year ending March 31, 2023, with early adoption permitted. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the consolidated financial statements.

NOTE 2 – MERGER WITH FRIENDS ASSOCIATION OF SERVICES FOR THE ELDERLY

On March 31, 2021, the Communities entered into an agreement to merge Friends Association of Services for the Elderly (“FASE”) with and into the Communities. The Communities became the sole member of FASE to further the mission of serving seniors. FASE is a California nonprofit corporation that owns and operates Friends House, a facility that provides residential apartments, skilled nursing and assisted living house facilities and related services for the elderly in Santa Rosa, California. The merger of FASE with the Communities was accounted for as a business combination using the acquisition method of accounting, which requires the basis of the assets acquired and the liabilities assumed to be recorded at their respective fair values at the merger date. The fair value determination of assets and liabilities assumed to be recorded are those of management. For the valuation of property and equipment and entrance fee contract liability, management utilized independent valuation specialists to assist them in determining fair value.

The Communities did not provide any consideration to FASE in conjunction with this transaction, which resulted in the fair value of assets net of liabilities assumed being recorded as an inherent contribution. The operations of FASE are included in the accompanying consolidated financial statements of the Communities from the date of the merger.

The following table summarizes the estimated fair value of the inherent contribution recognized for the assets acquired and liabilities assumed for the merger with FASE as of the merger date:

	Friends Association of Services for the Elderly
Cash and cash equivalents	$ 2,813,755
Receivables, net	166,391
Marketable securities	119,307
Prepaid expenses, deposits, and other assets	777,241
Property and equipment	14,491,754
Accounts payable	(616,724)
Accrued payroll and payroll taxes	(128,374)
Refundable deposits	(81,000)
Refundable entrance fees	(390,000)
Deferred revenue from entrance fees	(3,415,571)
Other liabilities	(333,727)
Fair value of assets acquired and liabilities assumed from merger	13,403,052
Inherent contribution - net assets without donor restrictions	12,590,601
Inherent contribution - net assets with donor restrictions	812,451
Total Inherent contribution	$ 13,403,052

NOTE 3 – MARKETABLE SECURITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Communities' investments have been classified, the Communities has assessed factors including, but not limited to the ability to redeem at net asset value ('NAV") at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with this guidance, if the Communities has the ability to redeem from the investment at the measurement date or in the near-term at NAV, the investment would not be required to be classified in the fair value hierarchy. Alternatively, if the Communities will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2021 and 2020, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable securities – Where quoted market prices are available in an active market; securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and cash equivalents included in money market funds. Level 2 securities include certificate of deposit and nonpublicly exchanged equity securities. Asset holdings are reviewed within the investment managers' audited financial statements, interim financial statements, and fund manager communications, for purposes of assessing valuation.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31:

Description	Level 1	Level 2	Level 3	Balance at March 31, 2021
Cash equivalents	$ 20,405,292	$ -	$ -	$ 20,405,292
Fixed income bonds				
Government bonds	676,886	-	-	676,886
Corporate bonds	10,741	-	-	10,741
Equity securities				
U.S. equities	68,640,214	-	-	68,640,214
Non U.S. equities	53,139,716	-	-	53,139,716
Fixed income securities	33,987,614	-	-	33,987,614
Total	$ 176,860,463	$ -	$ -	$ 176,860,463
Investments valued at NAV:				
Limited partnership				$ 11,524,958
Total investments valued at NAV				$ 11,524,958

Description	Level 1	Level 2	Level 3	Balance at March 31, 2020
Cash equivalents	$ 17,838,060	$ -	$ -	$ 17,838,060
Fixed income bonds				
Government bonds	843,616	-	-	843,616
Corporate bonds	719,076	-	-	719,076
Equity securities				
U.S. equities	69,848,902	-	-	69,848,902
Non U.S. equities	26,719,268	-	-	26,719,268
Fixed income securities	24,807,116	-	-	24,807,116
Total	$ 140,776,038	$ -	$ -	$ 140,776,038
Investments valued at NAV:				
Limited partnership				$ 8,971,062
Total investments valued at NAV				$ 8,971,062

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value at March 31:

Major Category	2021 Fair Value	2020 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership (a)	$ 11,524,958	$ 8,971,062	$ -	Quarterly	60 business days

(a) This category invests in multi-asset classes. (1) Common Stock that are traded on a national securities exchange. (2) Fixed Income Securities include bank loans, high yield corporate bonds, and restricted high yield corporate bonds. (3) Forward Foreign Currency Contracts include forward foreign currency contracts entered for hedging against fluctuations in foreign exchange rates. The fair values of investments in this category have been estimated using the NAV per share of investments at the percentage of the Communities ownership shares, which is 1.54% and 1.98% at March 31, 2021 and 2020, respectively. At March 31, 2021 and 2020, the timing of liquidation of these assets and the date when restrictions from redemption might lapse are unknown.

The Communities has a finance and investment committee that meets at least quarterly with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

Marketable securities at fair value consisted of the following at March 31:

	2021	2020
Cash equivalents	$ 20,405,292	$ 17,838,060
Fixed income bonds		
Government bonds	676,886	843,616
Corporate bonds	10,741	719,076
Equity securities		
U.S. equities	68,640,214	69,848,902
Non U.S. equities	53,139,716	26,719,268
Fixed income securities	33,987,614	24,807,116
Investments valued at NAV:		
Limited partnership	11,524,958	8,971,062
Total	188,385,421	149,747,100
Less assets held by bond indenture trustee and restricted for construction and debt service	(14,142,071)	(14,269,810)
Less marketable securities included in restricted investments and investments held in trust	(10,607,448)	(9,434,787)
Total marketable securities	$ 163,635,902	$ 126,042,503

According to the trust agreements for the Series 2011 Certificates, the Series 2012 Certificates, and the Series 2015 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of $14,142,071 and $14,269,810 were classified as assets whose use is limited and were invested in government securities at March 31, 2021 and 2020, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2021	2020
Buildings	$ 514,470,388	$ 502,390,304
Furniture and equipment	32,377,595	31,341,872
Total	546,847,983	533,732,176
Less accumulated depreciation	(308,330,633)	(292,119,887)
Total	238,517,350	241,612,289
Land	51,129,063	47,546,706
Construction in progress	4,994,598	5,985,810
Property and equipment, net of accumulated depreciation	$ 294,641,011	$ 295,144,805

Depreciation expense was $24,065,367 and $22,868,365 for the years March 31, 2021 and 2020, respectively, as included in depreciation and amortization in the consolidated statement of activities and changes in net assets.

NOTE 5 – LONG-TERM DEBT, NET

Long-term debt, net consisted of the following at March 31:

	2021	2020
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of $62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041.	$ 52,920,000	$ 54,200,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of $68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047.	68,835,000	68,835,000
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of $19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.	7,335,000	8,865,000
Private bank placement with JPMorgan, California Statewide Communities Development Authority, Revenue Refunding Bonds, Series 2015, dated June 1, 2015, in the original amount of $8,718,000; variable interest at 67% of 1-month LIBOR plus 97 basis points paid semiannually; principal paid annually. The rates as of March 31, 2021 and 2020, were 1.18% and 2.37%, respectively.	7,471,000	7,739,000
Promissory note with The Board of Pensions of the Presbyterian Church, dated October 26, 2015, in the original amount of $11,200,000; interest at 5% per annum paid monthly; principal paid at maturity November 1, 2021.	11,200,000	11,200,000
Total	147,761,000	150,839,000
Less current portion	(14,342,000)	(3,078,000)
Less debt issuance costs, net	(1,787,849)	(1,887,526)
Plus bond premium, net	5,054,006	5,376,853
Long-term debt, net	$ 136,685,157	$ 151,250,327

The Series 2011, 2012, and 2015 bonds are secured by a security interest in the gross revenues of Covia Communities Obligated Group and a mortgage and security interest in the real and personal property pursuant to the Communities' deeds of trust.

Costs incurred in connection with the issuance of debt are amortized over the life of the related debt using the effective interest method. Amortization of debt issuance cost for the years ended March 31, 2021 and 2020, were $99,681 and $99,682, respectively, as included in interest expense in the consolidated statements of activities and changes in net assets.

The Communities is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that the Communities was in compliance with these financial covenants as of March 31, 2021 and 2020.

Annual maturities of long-term debt consist of the following:

Year Ending March 31,	
2022	$ 14,342,000
2023	3,200,000
2024	3,259,000
2025	3,322,000
2026	3,382,000
Thereafter	120,256,000
Total	$ 147,761,000

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction in the consolidated statements of financial position at March 31, are available for the following:

	2021	2020
Assistance fund	$ 690,734	$ 1,252,434
Community fund and other	8,392,333	7,276,226
Deferred contribution to pooled annuities and trusts	1,284,925	317,078
Total net assets with donor restrictions	$ 10,367,992	$ 8,845,738

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between monthly maintenance fees and the fees charged to assisted residents. The total cost of resident assistance was $1,859,472 and $1,918,428 for the years March 31, 2021 and 2020, respectively. Total resident assistance covered by the Foundation was approximately $1,477,140 and $1,885,547 for the years ended March 31, 2021 and 2020, respectively.

NOTE 7 – OPERATING LEASES

The Communities lease office space which is recorded as an operating lease. The current lease term expires on August 2025 with an optional 5 years to extend. Right of use asset and lease liability of $5,081,592 and $5,543,361, respectively, was recorded in the consolidated statement of financial position as of March 31, 2021 and 2020. The maturity and future minimum commitments of total operating lease obligations at March 31, 2021, are as follows:

Year Ending March 31,	
2022	$ 624,680
2023	642,965
2024	662,086
2025	682,604
2026	706,555
Thereafter	3,380,468
Total lease payments	6,699,358
Less present value discount:	(1,155,997)
Lease liability	$ 5,543,361

Lease expenses are recorded on a straight-line basis over the life of the lease as included in interest expense in the consolidated statement of activities and changes in net assets.

The following tables include supplemental lease information as of and for the year ended March 31:

	2021	2020
Weighted average remaining lease term (in years)	9.50	10.60
Weighted average discount rate	4%	4%

NOTE 8 – RETIREMENT PLAN

The Communities has a defined benefit pension plan which provides benefits under retirement annuity contracts. Salaried and hourly employees who have attained the age of 21 and have performed 1,000 hours of service in the plan year are eligible to participate in the plan upon completion of one-year continuous employment. Benefits are based on years of service and compensation prior to retirement. The Communities makes all contributions, which are funded based on actuarially determined amounts. Amortization is based on the average remaining lives of active employees. The defined benefit pension plan was frozen effective December 31, 2020. During the year ended March 31, 2021, an additional $264,400 in net periodic benefit cost was recorded in connection with the reconciliation of the curtailment. There have been no other plan settlements, special termination benefits or substantive commitments.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Communities' consolidated statements of financial position are as follows as of March 31:

	2021	2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 63,690,527	$ 54,677,923
Service cost	1,668,792	2,166,083
Interest cost	1,868,375	2,048,312
Actuarial (gain) loss (includes curtailment)	(3,146,117)	7,192,479
Benefits paid	(2,467,977)	(2,394,270)
Benefit obligation at measurement date	61,613,600	63,690,527
Change in plan assets:		
Fair value of plan assets, beginning of year	44,023,721	47,482,953
Actual return on plan assets	16,866,695	(3,464,962)
Employer contribution	1,800,000	2,400,000
Benefits paid	(2,467,977)	(2,394,270)
Fair value of plan assets at measurement date	60,222,439	44,023,721
Funded status at measurement date	$ (1,391,161)	$ (19,666,806)
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liabilities	$ (1,391,161)	$ (19,666,806)
Amounts recognized in net assets without donor restriction consist of:		
Unrecognized net actuarial loss	$ 8,918,541	$ 28,401,122
Unrecognized prior service credit	-	(32,723)
Amounts recognized in net assets without donor restriction at measurement date	$ 8,918,541	$ 28,368,399
Accumulated benefit obligation	$ 61,613,600	$ 62,204,721

The components of net periodic benefit cost included as part of employee costs in the Communities' consolidated statements of activities and changes in net assets are as follows for the years ended March 31:

	2021	2020
Service cost	$ 1,668,792	$ 2,166,083
Interest cost	1,868,375	2,048,312
Expected return on plan assets	(3,184,927)	(3,550,541)
Amortization of prior service credit	2,654,695	741,951
Amortization of net (gain) loss	(14,006)	(57,002)
Effect of curtailment	(18,717)	-
Net periodic benefit cost	2,974,212	1,348,803
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial (gain) loss	(16,827,886)	14,207,952
Amortization of net loss	(2,654,695)	(741,951)
Amortization of prior service credit	14,006	57,002
Effect of curtailment	18,717	-
Amounts recognized in net assets without donor restriction at measurement date	(19,449,858)	13,523,003
Total recognized in net periodic benefit (cost) and net assets without donor restriction at measurement date	$ (16,475,646)	$ 14,871,806

The following assumptions were used for the March 31 measurement date:

	2021	2020
Actuarial present value of the benefit obligation		
Weighted-average discount rate	3.15%	3.10%
Rate of increase in future compensation levels	N/A	3.00%
Long-term rate of return on plan assets	6.75%	7.50%
Net periodic benefit cost		
Weighted-average discount rate	3.10%	3.85%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	6.75%	7.50%

The expected long-term rate of return on plan assets of 6.75% is based on an investment allocation of 71% equities, 24% fixed income securities, and 5% real estate securities.

Pension plan assets as of the March 31, measurement date were as follows:

	2021	2020
Equity securities	71%	65%
Fixed income securities	24%	30%
Real estate securities	5%	5%
Total	100%	100%

The fair value of the Communities' pension plan assets by asset category are as follows:

Description	Level 1	Level 2	Level 3	Balance at March 31, 2021
Mutual funds				
Small/mid U.S. equity	$ 2,874,795	$ -	$ -	$ 2,874,795
International equity	20,103,097	-	-	20,103,097
Fixed income	14,682,716	-	-	14,682,716
Total mutual funds	$ 37,660,608	$ -	$ -	$ 37,660,608
Investments valued at NAV:				
Pooled separate accounts				$ 22,561,831

Description	Level 1	Level 2	Level 3	Balance at March 31, 2020
Mutual funds				
Small/mid U.S. equity	$ 1,531,260	$ -	$ -	$ 1,531,260
International equity	13,191,853	-	-	13,191,853
Fixed income	13,451,282	-	-	13,451,282
Total mutual funds	$ 28,174,395	$ -	$ -	$ 28,174,395
Investments valued at NAV:				
Pooled separate accounts				$ 15,849,326

Pooled separate accounts – Includes investment in large and small cap funds that invests mainly in domestic equity and a real estate fund. The PSAs can be redeemed at NAV as of the measurement date, redeemed on a daily basis, and unfunded commitments are not applicable to PSAs. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the shares outstanding. At March 31, 2021 and 2020, the timing of liquidation of these assets and the date when restrictions from redemption might lapse are unknown.

Explanation of investment strategies and policies – The Communities employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

The Communities does not expect to contribute to its pension plan in the fiscal year ending March 31, 2022 as the plan was frozen effective December 31, 2020.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2022	$	3,300,000
2023	$	2,680,000
2024	$	2,700,000
2025	$	2,790,000
2026	$	2,840,000
Years 2027 - 2030	$	15,020,000

Supplementary deferred compensation plan – The Communities also maintains, for certain key employees, a Supplementary Deferred Compensation Plan (“Supplementary Plan”) which is a nonqualified, deferred compensation plan which provides a defined contribution benefit pursuant to 409A and 457(f) of the Internal Revenue Code. All participants are awarded an Annual Retention Benefit in each year. Each award will vest on the earlier of the participant’s death or disability, reaching the age of 65, or five years after the award is made. The accrued liability as of March 31, 2021 and 2020, was $1,522,763 and $1,239,943, respectively, included in other liabilities in the consolidated statements of financial position.

Tax deferred annuity plan – The Communities has implemented a 403(b) tax deferred annuity plan (the “403(b) Plan”). Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. The Communities matches 1.5% of the first 3% of the participant’s wages. The Communities pays for all the administrative expenses to operate the 403(b) Plan. Effective January 1, 2021, the Communities amended the 403(b) Plan, terminating the employer match and adopting a 3% employer 403(b) contribution to the employee’s individual plan accounts. Employees are not required to contribute and certain age and service requirements apply. The Communities’ contribution for the years ended March 31, 2021 and 2020 totaled $1,144,087 and $652,515, respectively.

NOTE 9 – RELATED PARTIES

During fiscal years 2021 and 2020, the Communities purchased general and professional liability insurance for $1,202,682 and $1,019,427, respectively, from an insurance company in which the Communities is a shareholder. At March 31, 2021 and 2020, the Communities' investment was $301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

The Communities charges management fees directly to the Affordable Communities as included in other revenue. Total fees collected for the years ended March 31, 2021 and 2020, was $900,200 and $900,200, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation – The Communities is party to various claims and legal actions in the normal course of business. In the opinion of management, the Communities has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the consolidated financial position of the Communities.

Asbestos – The Communities is aware of the existence of asbestos in certain buildings. The Communities has not recorded a liability for any asbestos abatement costs because the cost cannot be reasonably estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, the Communities will record an estimate of the costs of the required asbestos abatement.

Operating deficit guarantee – With respect to OCT's obligations as the General Partner of OCLP, the Communities has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2021 and 2020, no advances have been made under the agreement.

Credit adjuster and additional advance guaranty – With respect to OCT's obligations as the general partner of OCLP, the Communities has guaranteed to advance funds to OCT in the amount necessary for OCT to make the required Credit Adjuster Advance or Additional Advance. The Credit Adjuster Advance is limited to $835,799.

Health care reform – The Patient Protection and Affordable Care Act ("PPACA") allowed for the expansion of Medicaid members in the State of California. Any further federal or state funding changes could have an impact on the Communities. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Communities is uncertain at this time.

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their patients and customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Communities' operations.

On March 27, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act. The CARES Act included provisions for health care under the Provider Relief Fund. Throughout fiscal year 2021, the Communities received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services ("HHS") of $4,421,027. The Communities was required to and did timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for healthcare-related expenses or lost revenue attributable to COVID-19, limitations of out of pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. It is noted that anti-fraud monitoring and auditing will be performed by HHS and the Office of the Inspector General. For the year ended March 31, 2021, the Communities has recognized $4,421,027 of the Provider Relief Fund in grant revenue – Provider Relief Fund on its consolidated statements of activities and changes in net assets.

The Communities' management has been closely monitoring the impact of COVID-19 on the Communities' operations, including the impact on its patients and employees. The duration and intensity of the pandemic is uncertain but may influence patient decisions, donor decisions, and may also negatively impact collections of the Communities' receivables.

NOTE 11 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code: The Board of Directors have identified certain contingencies listed below to which the net assets without donor restrictions of the Communities may be exposed and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with ASC Topic 958, *Not-for-Profit Entities*, Board of Director's designated funds represent the current intentions of the Board of Directors.

	2021	0
Plant replacement fund	$ 42,646,274	$ 9,195,890
Income fund	31,521,159	6,796,962
Self-insurance fund	18,541,858	3,998,213
Total	$ 92,709,291	$ 19,991,065

Maintaining such reserves meets the needs of the life plan communities by providing a source of funds to replace plant, either in the normal course of its operations and/or with respect to uninsured losses, and to otherwise meet its obligations as they become due in periods of reduced entrance or monthly fee revenue.

In addition, the Board has designated the initial amount of $1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding the Communities' own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by the Communities and Episcopal Diocese of California. This commitment meets the needs of the life plan communities by demonstrating a broader community benefit in support of and to preserve its tax-exempt status. As of March 31, 2021, the balance of the fund was $1,438,644 and $69,500 was expended from the fund for such purposes during the year then ended. As of March 31, 2020, the balance of the fund was $1,276,962 and $78,800 was expended from the fund for such purposes during the year then ended.

NOTE 12 – DEFERRED REVENUE FROM ENTRANCE FEES

Deferred revenue from entrance fees activity for the years ended March 31, 2021 and 2020, are as follows:

April 1, 2020	Additions	Refunds back to resident	Deaths and Withdrawals (nonrefundable advance fee)	Amortization	Deferred entrance fees from merger (see note 2)	March 31, 2021
$ 169,054,600	21,932,980	(1,877,698)	(6,582,995)	(17,595,861)	3,415,571	$ 168,346,597

April 1, 2019	Additions	Refunds back to resident	Deaths and Withdrawals (nonrefundable advance fee)	Amortization	Other adjustment	March 31, 2020
$ 168,015,229	27,210,354	(2,949,272)	(5,704,580)	(17,302,441)	(214,690)	$ 169,054,600

NOTE 13 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, comprise the following:

	2021	2020
Cash and cash equivalents	$ 12,978,391	$ 6,234,936
Marketable securities	163,635,902	126,042,503
Receivables, net	6,756,933	6,128,858
	183,371,226	138,406,297
Less amount unavailable for general expenditures within one year	(1,597,428)	(1,435,746)
	$ 181,773,798	$ 136,970,551

As part of the Communities' liquidity management plan, it invests cash in excess of its daily requirements in short-term investments which can be sold and used for operations if necessary.

NOTE 14 – FUNCTIONAL EXPENSES

Year Ended March 31, 2021	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising Services	General and Administrative	Total
Salaries and benefits	$ 20,828,676	$ 5,596,571	$ 22,433,465	$ -	$ -	$ 16,678,844	$ 65,537,556
Supplies	5,071,210	1,005,344	3,634,319	-	-	498,286	10,209,159
Other purchased services	4,371,486	459,155	1,596,182	-	-	3,073,610	9,500,433
Repairs and maintenance	2,105,655	191,488	616,681	-	-	1,580,887	4,494,711
Utilities	3,629,219	330,040	609,316	-	-	1,451,530	6,020,105
Depreciation and amortization	14,332,220	1,303,053	2,429,098	-	-	6,553,529	24,617,900
Assistance for resident fees	-	-	-	1,477,140	-	-	1,477,140
Other	8,390,462	672,039	3,048,913	1,160,257	23,963	6,483,296	19,778,930
Total expenses	$ 58,728,928	$ 9,557,690	$ 34,367,974	$ 2,637,397	$ 23,963	$ 36,319,982	$ 141,635,934

Year Ended March 31, 2020	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising Services	General and Administrative	Total
Salaries and benefits	$ 19,455,181	$ 5,314,054	$ 24,628,567	$ -	$ -	$ 16,901,261	$ 66,299,063
Supplies	4,373,866	653,922	2,645,220	-	-	858,134	8,531,142
Other purchased services	4,546,821	537,880	2,012,926	-	-	3,120,262	10,217,889
Repairs and maintenance	2,762,888	251,256	474,742	-	-	1,565,269	5,054,155
Utilities	3,547,918	322,647	595,666	-	-	1,267,355	5,733,586
Depreciation and amortization	13,555,528	1,232,411	2,301,092	-	-	6,294,041	23,383,072
Special event costs of direct benefit to donors	-	-	-	-	-	61,090	61,090
Assistance for resident fees	-	-	-	1,885,547	-	-	1,885,547
Other	8,612,492	674,397	5,197,518	1,090,343	10,811	5,885,747	21,471,308
Total expenses	$ 56,854,694	$ 8,986,567	$ 37,855,731	$ 2,975,890	$ 10,811	$ 35,953,159	$ 142,636,852

The consolidated financial statements report certain expense categories that are attributable to more than one residential, health care, or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square footage, meals, or census.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Communities recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Communities' consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are issued.

On June 1, 2020, the Board of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The affiliation was approved and completed on April 1, 2021.

The Communities has evaluated subsequent events through July 21, 2021, which is the date the consolidated financial statements are issued.

Supplementary Information

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position
March 31, 2021

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 8,896,366	$ 4,082,025	$ -	$ 12,978,391
Assets held by bond indenture trustee for current debt service	5,663,190	-	-	5,663,190
Marketable securities	163,635,902	-	-	163,635,902
Receivables, net	6,756,933	-	-	6,756,933
Current portion of receivables - affiliated organizations	408,351	-	(213,364)	194,987
Current portion of pledges receivable, net of discount	-	415,017	-	415,017
Prepaid expenses, deposits, and other assets	3,996,114	8,706	-	4,004,820
Total current assets	189,356,856	4,505,748	(213,364)	193,649,240
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	14,142,071	-	-	14,142,071
Less portion available to satisfy current debt service	(5,663,190)	-	-	(5,663,190)
Noncurrent portion	8,478,881	-	-	8,478,881
Investments held in trust	-	7,173,986	-	7,173,986
Restricted investments	622,591	2,810,871	-	3,433,462
Total long-term assets whose use is limited	9,101,472	9,984,857	-	19,086,329
Long-term pledge receivables, net of current portion and discount	-	751,885	-	751,885
Receivables - affiliated organizations, net of current portion	865,067	-	-	865,067
Right of use asset, net of accumulated amortization	5,081,592	-	-	5,081,592
Property and equipment, net of accumulated depreciation	294,641,011	-	-	294,641,011
Deferred charges and other assets	14,821,589	-	-	14,821,589
Total assets	$ 513,867,587	$ 15,242,490	$ (213,364)	$ 528,896,713

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 7,551,402	$ -	$ -	$ 7,551,402
Accounts payable - affiliated organizations	-	213,364	(213,364)	-
Accrued payroll and payroll taxes	6,224,183	-	-	6,224,183
Current portion of long-term debt	14,342,000	-	-	14,342,000
Accrued interest	2,521,190	-	-	2,521,190
Current portion of lease liability	378,436	-	-	378,436
Self-insurance and other liabilities	3,681,522	-	-	3,681,522
Total current liabilities	34,698,733	213,364	(213,364)	34,698,733
Refundable deposits	1,105,200	-	-	1,105,200
Repayable entrance fees	1,820,700	-	-	1,820,700
Refundable entrance fees	65,470,689	-	-	65,470,689
Pension benefit obligation	1,391,161	-	-	1,391,161
Long-term debt, net	136,685,157	-	-	136,685,157
Deferred revenue from entrance fees	168,346,597	-	-	168,346,597
Liabilities for payments to trust beneficiaries	90,000	2,840,887	-	2,930,887
Long-term lease liability, net	5,164,925	-	-	5,164,925
Other liabilities	4,134,039	1,802,742	-	5,936,781
Total liabilities	418,907,201	4,856,993	(213,364)	423,550,830
Net assets				
Without donor restriction	94,147,935	829,956	-	94,977,891
With donor restriction	812,451	9,555,541	-	10,367,992
Total net assets	94,960,386	10,385,497	-	105,345,883
Total liabilities and net assets	$ 513,867,587	$ 15,242,490	$ (213,364)	$ 528,896,713

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position
March 31, 2020

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,869,051	$ 4,365,885	$ -	$ 6,234,936
Assets held by bond indenture trustee for current debt service	5,716,094	-	-	5,716,094
Marketable securities	126,042,503	-	-	126,042,503
Receivables, net	6,128,858	-	-	6,128,858
Current portion of receivables - affiliated organizations	705,140	-	(335,505)	369,635
Current portion of pledges receivable, net of discount	-	132,660	-	132,660
Prepaid expenses, deposits, and other assets	3,067,339	17,706	-	3,085,045
Total current assets	143,528,985	4,516,251	(335,505)	147,709,731
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	14,269,810	-	-	14,269,810
Less portion available to satisfy current debt service	(5,716,094)	-	-	(5,716,094)
Noncurrent portion	8,553,716	-	-	8,553,716
Investments held in trust	-	5,827,906	-	5,827,906
Restricted investments	398,805	3,208,076	-	3,606,881
Total long-term assets whose use is limited	8,952,521	9,035,982	-	17,988,503
Long-term pledge receivables, net of current portion and discount	-	750,092	-	750,092
Receivables - affiliated organizations, net of current portion	745,067	-	-	745,067
Right of use asset, net of accumulated amortization	5,515,898	-	-	5,515,898
Property and equipment, net of accumulated depreciation	295,144,805	-	-	295,144,805
Deferred charges and other assets	12,409,005	-	-	12,409,005
Total assets	$ 466,296,281	$ 14,302,325	$ (335,505)	$ 480,263,101

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 5,383,921	$ -	$ -	$ 5,383,921
Accounts payable - affiliated organizations	-	335,505	(335,505)	-
Accrued payroll and payroll taxes	4,381,503	-	-	4,381,503
Current portion of long-term debt	3,078,000	-	-	3,078,000
Accrued interest	2,638,094	-	-	2,638,094
Current portion of lease liability	378,436	-	-	378,436
Self-insurance and other liabilities	3,927,564	-	-	3,927,564
Total current liabilities	19,787,518	335,505	(335,505)	19,787,518
Refundable deposits	1,114,000	-	-	1,114,000
Repayable entrance fees	2,362,440	-	-	2,362,440
Refundable entrance fees	72,078,079	-	-	72,078,079
Pension benefit obligation	19,666,806	-	-	19,666,806
Long-term debt, net	151,250,327	-	-	151,250,327
Deferred revenue from entrance fees	169,054,600	-	-	169,054,600
Liabilities for payments to trust beneficiaries	-	2,363,703	-	2,363,703
Long-term lease liability, net	5,543,361	-	-	5,543,361
Other liabilities	4,171,131	1,775,771	-	5,946,902
Total liabilities	445,028,262	4,474,979	(335,505)	449,167,736
Net assets				
Without donor restrictions	21,268,019	981,608	-	22,249,627
With donor restrictions	-	8,845,738	-	8,845,738
Total net assets	21,268,019	9,827,346	-	31,095,365
Total liabilities and net assets	$ 466,296,281	$ 14,302,325	$ (335,505)	$ 480,263,101

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Activities and Changes in Net Assets Without Donor Restrictions Information by Location
Year Ended March 31, 2021

	Canterbury Woods	St. Paul's Towers	El Sombroso Oaks	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Friends House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS													
Revenues and gains													
Resident fees	$ 7,969,243	$ 14,880,082	$ 979,074	$ -	$ 21,105,807	$ 21,003,582	$ 2,623,873	$ -	$ 1,250	$ 68,562,911	$ -	$ -	$ 68,562,911
Amortization of deferred revenue from entrance fees	781,465	4,242,026	-	-	8,521,147	10,015,524	618,694	-	-	24,178,856	-	-	24,178,856
Nursing center	3,249,238	5,143,083	-	-	8,056,542	3,007,720	11,526,475	-	-	30,983,058	-	-	30,983,058
Outside and other medical fees	55,222	75,826	-	-	55,208	203,350	36,443	-	-	426,049	-	-	426,049
Other	200	30,600	-	-	6,000	19,800	113,658	-	2,001,307	2,171,565	-	-	2,171,565
Contributions from affiliates	42,371	8,003	-	-	-	-	5,919	-	2,309,387	2,365,680	3,021,200	(5,386,880)	-
Contributions	-	-	-	-	-	-	-	-	-	-	61,163	-	61,163
Grant revenue - Provider Relief Fund	450,833	428,654	2,044	1,479	1,296,070	1,183,508	943,113	-	115,326	4,421,027	-	-	4,421,027
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	-	-	2,424,582	-	2,424,582
Total revenues and gains	12,548,572	24,808,274	981,118	1,479	39,040,774	35,433,484	15,868,175	-	4,427,270	133,109,146	5,506,945	(5,386,880)	133,229,211
Expenses													
Nursing expenses	3,000,945	4,107,734	-	-	8,155,540	3,732,002	7,067,873	-	-	26,064,094	-	-	26,064,094
Outside and other medical expenses	308,460	1,387,118	-	-	1,767,057	1,552,761	438,385	-	-	5,453,781	-	-	5,453,781
Dining services	2,550,387	3,736,528	-	-	5,959,847	5,783,786	2,240,785	-	-	20,271,333	-	-	20,271,333
Housekeeping	877,463	1,463,348	-	-	2,224,272	1,941,817	884,111	-	-	7,391,011	-	-	7,391,011
Maintenance	846,636	1,614,759	329,075	483,985	2,092,154	2,680,584	655,669	-	-	8,702,862	-	-	8,702,862
General and administrative expenses	1,395,255	1,638,086	-	281,709	2,360,765	2,046,607	1,517,783	-	14,204,824	23,445,029	862,850	-	24,307,879
Allocated management and accounting service fees	1,190,251	1,853,786	149,225	1,340,747	2,961,952	1,901,672	902,952	-	(10,300,585)	-	-	-	-
Marketing	308,356	501,099	-	-	599,275	387,025	229,046	-	-	2,024,801	-	-	2,024,801
Utilities	549,889	956,254	-	118,994	2,131,582	1,538,387	724,999	-	-	6,020,105	-	-	6,020,105
Other	419,029	628,477	2,044	1,989	1,890,772	1,382,209	931,043	-	3,168,407	8,423,970	-	(3,021,200)	5,402,770
Program expenses	-	-	-	-		-	-	-	-	-	4,771,784	(2,365,680)	2,406,104
Fundraising activities	-	-	-	-	-	-	-	-	-	-	23,963	-	23,963
Depreciation and amortization	1,558,455	5,020,482	407,776	-	8,123,793	6,590,143	1,479,406	-	1,437,845	24,617,900	-	-	24,617,900
(Gain) loss on disposal of property and equipment	(320,997)	785,310	-	-	-	-	684,654	-	-	1,148,967	-	-	1,148,967
Interest	45,538	134,099	560,000	73,374	4,325,918	1,380,654	165,171	-	1,115,610	7,800,364	-	-	7,800,364
Total expenses	12,729,667	23,827,080	1,448,120	2,300,798	42,592,927	30,917,647	17,921,877	-	9,626,101	141,364,217	5,658,597	(5,386,880)	141,635,934
(LOSS) INCOME BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COST, INHERENT CONTRIBUTION AND INVESTMENT INCOME	(181,095)	981,194	(467,002)	(2,299,319)	(3,552,153)	4,515,837	(2,053,702)	-	(5,198,831)	(8,255,071)	(151,652)	-	(8,406,723)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COST	-	-	-	-	-	-	-	-	(1,396,527)	(1,396,527)	-	-	(1,396,527)
INHERENT CONTRIBUTION	-	-	-	-	-	-	-	12,590,601	-	12,590,601	-	-	12,590,601
INVESTMENT INCOME													
Investment income	-	-	-	-	-	-	-	-	3,494,168	3,494,168	-	-	3,494,168
Net realized gains on investments	-	-	-	-	-	-	-	-	11,839,657	11,839,657	-	-	11,839,657
Unrealized gains on investments	-	-	-	-	-	-	-	-	35,157,230	35,157,230	-	-	35,157,230
Total investment gain	-	-	-	-	-	-	-	-	50,491,055	50,491,055	-	-	50,491,055
NET (LOSS) INCOME	(181,095)	981,194	(467,002)	(2,299,319)	(3,552,153)	4,515,837	(2,053,702)	12,590,601	43,895,697	53,430,058	(151,652)	-	53,278,406
CHANGE IN PENSION BENEFIT OBLIGATION	-	-	-	-	-	-	-	-	19,449,858	19,449,858	-	-	19,449,858
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (181,095)	$ 981,194	$ (467,002)	$ (2,299,319)	$ (3,552,153)	$ 4,515,837	$ (2,053,702)	$ 12,590,601	$ 63,345,555	$ 72,879,916	$ (151,652)	$ -	$ 72,728,264

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Changes in Net Assets Without Donor Restrictions Information by Location
Year Ended March 31, 2020

	Canterbury Woods	St. Paul's Towers	El Sombroso Oaks	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS												
Revenues and gains												
Resident fees	$ 8,424,640	$ 14,755,352	$ 1,000,953	$ -	$ 21,326,563	$ 20,936,444	$ 2,726,061	$ 500	$ 69,170,513	$ -	$ -	$ 69,170,513
Amortization of deferred revenue from entrance fees	863,927	3,988,959	-	-	8,655,924	8,675,431	822,780	-	23,007,021	-	-	23,007,021
Nursing center	2,940,301	6,466,310	-	-	10,524,402	3,446,370	14,393,247	-	37,770,630	-	-	37,770,630
Outside and other medical fees	55,324	92,748	-	-	107,805	202,079	88,333	-	546,289	-	-	546,289
Other	17,293	38,603	-	-	17,380	24,020	174,601	2,134,299	2,406,196	-	-	2,406,196
Contributions from affiliates	-	55	-	-	8,198	5,928	14,764	2,324,400	2,353,345	3,232,309	(5,585,654)	-
Contributions	-	-	-	-	-	-	-	-	-	88,322	-	88,322
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	-	2,332,711	-	2,332,711
Total revenues and gains	12,301,485	25,342,027	1,000,953	-	40,640,272	33,290,272	18,219,786	4,459,199	135,253,994	5,653,342	(5,585,654)	135,321,682
Expenses												
Nursing expenses	2,907,226	4,436,350	-	-	8,430,126	3,645,471	10,228,605	-	29,647,778	-	-	29,647,778
Outside and other medical expenses	319,827	1,163,815	-	-	1,741,638	1,376,187	381,112	-	4,982,579	-	-	4,982,579
Dining services	2,683,032	3,763,868	-	-	6,458,352	5,887,776	2,493,131	-	21,286,159	-	-	21,286,159
Environmental services	940,743	1,409,919	-	-	2,178,576	1,719,140	1,030,295	-	7,278,673	-	-	7,278,673
Maintenance	938,532	1,542,519	-	466,772	2,128,162	2,781,091	822,141	-	8,679,217	-	-	8,679,217
General and administrative expenses	1,101,218	1,580,026	326,547	148,823	1,966,880	1,925,621	1,867,249	11,527,842	20,444,206	836,004	-	21,280,210
Allocated management and accounting service fees	1,193,880	1,848,797	-	1,487,227	2,953,983	1,896,553	1,180,223	(10,560,663)	-	-	-	-
Marketing	317,090	759,864	-	-	693,269	577,755	206,148	-	2,554,126	-	-	2,554,126
Utility expenses	550,937	966,485	-	74,367	1,940,809	1,480,288	720,700	-	5,733,586	-	-	5,733,586
Other	243,033	788,451	-	-	992,014	529,468	893,804	6,079,403	9,526,173	-	(3,232,309)	6,293,864
Program expenses	-	-	-	-	-	-	-	-	-	5,388,611	(2,353,345)	3,035,266
Fundraising activities	-	-	-	-	-	-	-	-	-	10,811	-	10,811
Depreciation and amortization	1,583,240	4,824,965	320,458	-	7,733,921	6,085,634	1,379,018	1,455,836	23,383,072	-	-	23,383,072
Loss on disposal of property and equipment	187,276	150,358	-	-	-	-	9,750	12,380	359,764	-	-	359,764
Interest	58,292	171,636	638,800	93,914	4,330,698	1,414,617	251,854	1,151,936	8,111,747	-	-	8,111,747
Total expenses	13,024,326	23,407,053	1,285,805	2,271,103	41,548,428	29,319,601	21,464,030	9,666,734	141,987,080	6,235,426	(5,585,654)	142,636,852
(LOSS) INCOME BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COST AND INVESTMENT (LOSS) INCOME	(722,841)	1,934,974	(284,852)	(2,271,103)	(908,156)	3,970,671	(3,244,244)	(5,207,535)	(6,733,086)	(582,084)	-	(7,315,170)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COST	-	-	-	-	-	-	-	817,246	817,246	-	-	817,246
INVESTMENT LOSS												
Investment income	-	-	-	-	-	-	-	3,073,921	3,073,921	-	-	3,073,921
Net realized gains on investments	-	-	-	-	-	-	-	7,384,704	7,384,704	-	-	7,384,704
Unrealized losses on investments	-	-	-	-	-	-	-	(17,313,297)	(17,313,297)	-	-	(17,313,297)
Total investment loss	-	-	-	-	-	-	-	(6,854,672)	(6,854,672)	-	-	(6,854,672)
NET (LOSS) INCOME	(722,841)	1,934,974	(284,852)	(2,271,103)	(908,156)	3,970,671	(3,244,244)	(11,244,961)	(12,770,512)	(582,084)	-	(13,352,596)
CHANGE IN PENSION BENEFIT OBLIGATION	-	-	-	-	-	-	-	(13,523,003)	(13,523,003)	-	-	(13,523,003)
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (722,841)	$ 1,934,974	$ (284,852)	$ (2,271,103)	$ (908,156)	$ 3,970,671	$ (3,244,244)	$ (24,767,964)	$ (26,293,515)	$ (582,084)	$ -	$ (26,875,599)

Covia Communities
(an Affiliate of Covia Group)
Statements of Cash Flows (Covia Communities Obligated Group)
For the Years Ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 109,652,772	$ 115,387,747
Proceeds from entrance fees	22,347,357	32,558,935
Investment gains	15,333,825	10,458,625
Cash paid to employees and suppliers	(104,584,300)	(120,873,450)
Cash paid for leases	(378,436)	(345,128)
Interest paid	(8,140,438)	(8,620,237)
Net cash provided by operating activities	34,230,780	28,566,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(9,671,770)	(15,400,042)
Proceeds from property disposition	629,711	-
Changes in deferred charges and other assets	(1,656,724)	(1,755,739)
Marketable securities sold	9,020,951	7,720,835
Marketable securities acquired	(9,448,044)	(7,247,964)
Net cash used in investing activities	(11,125,876)	(16,682,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(3,078,000)	(3,021,000)
Refunds of deposit and entrance fees	(11,013,773)	(11,822,675)
Net cash used in financing activities	(14,091,773)	(14,843,675)
NET INCREASE (DECREASE) IN CASH	9,013,131	(2,960,093)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	19,097,848	22,057,941
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 28,110,979	$ 19,097,848
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash and cash equivalents	$ 8,896,366	$ 1,869,051
Cash, cash equivalents and restricted cash - marketable securities	4,449,951	2,560,181
Cash, cash equivalents and restricted cash - assets whose use is limited	14,764,662	14,668,616
	$ 28,110,979	$ 19,097,848

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 73,692,367	$ (26,293,515)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(24,178,856)	(23,007,021)
Proceeds from entrance fees	22,347,357	32,558,935
Depreciation and amortization	24,617,900	23,383,072
Loss on disposal of property and equipment	1,148,967	359,764
Amortization of debt issuance costs and other	99,681	99,682
Amortization of bond issue premium	(322,851)	(322,846)
Change in net unrealized (gains) losses on investments	(35,157,230)	17,313,297
Change in pension benefit obligation	(19,449,858)	13,523,003
Inherent contribution, net of cash acquired	(10,589,297)	-
Effects of changes in		
Receivables, net	897,673	3,054,474
Other assets	(907,394)	(500,933)
Accounts payable	255,803	(6,881,595)
Other liabilities	1,226,783	(3,483,833)
Accrued retirement benefits	1,174,213	(1,051,168)
Lease liability	(378,436)	(346,277)
Self-insurance liabilities	(246,042)	161,453
Net cash provided by operating activities	$ 34,230,780	$ 28,566,492
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 1,294,954	$ 198,486

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